

EXHIBIT E

PART 1

**NOVI LIST d.d.
RIJEKA, Zvonimirova 20/a**

**IN-DEPTH SURVEY
AS AT DECEMBER 31, 2006
BASED ON PROVISIONAL DATA**

Att. of Franjo Butorac

Director

Novi list d.d.

Zvonimirova 20/a

Rijeka

Zagreb, February 2007

Gentlemen,

In-depth Survey of the Company Novi list d.d.

Based on a contract signed with the Company for an in-depth survey of the Company and a Letter of assuming the work of an in-depth survey of the Company Novi list d.d. Rijeka for the year 2006 covering the inspection of regularity and evaluation of legitimacy of the Company's business operations, we made this in-depth survey of the Company Novi list d.d. Rijeka on the basis of provisional data available to the Company as at December 31, 2006 and the business records updated by January 29, 2007.

Since the process of treating the Company's transactions is underway and the development of the financial statements for the year 2006 is in progress, we presume that the data presented will substantially differ from the data used in this Report.

The control of regularity and evaluation of legitimacy of the Company's business operations includes the segments contained and described herein.

Our Report is intended exclusively for the Company Novi list d.d. Rijeka, who ordered it and which purpose is to enable the Company Novi list d.d. to fulfill its liabilities assumed under the contracts, to conceive of possible risks, to identify the regularity of the Company's operations and evaluation of legitimacy (justifiability) of some business events. The Report cannot be used for any other purpose without our previous agreement in writing.

We draw special attention to the risks, irregularities and economically not justified business events that were identified by our survey, which do not necessarily represent all the weaknesses and irregularities existing in the Company Novi list d.d. Rijeka, but only a part of those identified by our in-depth survey.

Sincerely yours,

Revizija Zagreb d.o.o. Zagreb

NOVI LIST d.d.

**IN-DEPTH SURVEY REPORT
AS AT 31 DECEMBER 2006
BASED ON PROVISIONAL DATA**

CONTENTS

	<u>Page</u>
Income statement 2006 and 2005	1
Balance sheet as at December 31, 2006, December 31, 2005 and December 31, 2004	2
Statement of changes in equity for 2006 and 2005	4
Cash flow statement for 2006 and 2005	5
1. INTRODUCTION	6 – 12
1.1. General data on the Company	6
1.2. Company's bodies, organizational chart and structure	5 – 8
1.3. Description of business & information and accounting systems	9 – 11
1.4. Management of human resources	11
1.5. Related companies	12
1.6. External controls of the Company's operation regularity (legitimacy)	12
2. BASIC ACCOUNTING POLICY	13 – 15
2.1. Accounting policies	13 – 14
2.2. Audit of financial statement	15
3. ANALYSIS OF INCOME STATEMENT	16 – 51
3.1. Analysis of most significant customers	17 – 33
3.2. Analysis of production capacities and most significant products	33 – 34
3.3. Analysis of current calculation of product price	34 – 42
3.4. Analysis of income in the survey period	42 – 43
3.5. Analysis of expenses in the survey period	43 – 51
4. ANALYSIS OF ASSETS AND LIABILITIES	52 – 61
4.1. Property, plant, equipment and intangible assets	52 – 56
4.2. Non-current financial assets	56
4.3. Non-current receivables	57
4.4. Inventories	57
4.5. Receivables	57 – 58
4.6. Current financial assets	58 – 59
4.7. Cash	59
4.8. Prepayments and accrued income	59
4.9. Capital	59 – 60
4.10. Long-term provisions	60
4.11. Long-term liabilities	60
4.12. Liabilities	60
5. CONCLUSION	61 – 67

NOVI LIST D.D. RIJEKA

**INCOME STATEMENT FOR 2006 (based on provisional data)
AND 2005**

ITEM	Note	2006 HRK	2005 HRK
OPERATING INCOME	3.4./i/		
Sales of products		164.587.398	144.066.557
Sales of services and goods		5.538.446	4.040.130
Other operating income		2.202.873	2.197.169
Total operating income		172.328.717	150.303.856
OPERATING EXPENSES	3.5./i/		
Costs of material		37.371.801	35.497.507
Acquisition value of merchandise sold		2.812.232	2.923.852
Changes in stock of products and production		56.435	2.394
Costs of services		29.864.759	24.921.576
Staff costs		57.386.466	58.612.351
Amortization and accumulated depreciation		10.747.209	11.785.029
Receivables revaluation		0	1.386.822
Other operating expenses		8.559.530	8.722.409
Total operating expenses		146.798.432	143.851.940
PROFIT FROM ORDINARY ACTIVITIES		25.530.285	6.451.916
FINANCIAL INCOME	3.4./ii/		
interests		393.071	363.845
Exchange gains/losses		244.340	1.054.990
Other financial income		8.841	2.000.776
Total financial income		646.252	3.419.611
FINANCIAL EXPENSES	3.5./ii/		
Interests		833.017	990.435
Exchange gains/losses		14.566.030	0
Other financial expenses		311.928	652.844
Total financial expenses		15.710.975	1.643.279
LOSS/PROFIT FROM FINANCIAL ACTIVITIES		(15.064.723)	1.776.332
TOTAL INCOME		172.974.969	153.723.467
TOTAL EXPENSES		162.509.407	145.495.219
Profit before taxation		10.465.562	8.228.248
Income tax		0	1.717.570
CURRENT YEAR PROFIT		10.465.562	6.510.678

Note: Current year profit stated above represents the current income and expenses balance carried in the records by January 29, 2007. According to the data available when this Report was made, the current year profit will be at the level of the profit earned in 2005.

NOVI LIST D.D. RIJEKA

BALANCE SHEET AS AT DECEMBER 31, 2006 (based on provisional data), DECEMBER 31, 2005 and DECEMBER 31, 2004

ITEM	Notes	Dec 31, 2006 HRK	Dec 31, 2005 HRK	Dec 31, 2004 HRK
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	4.1.	26.666.934	34.354.756	41.838.362
Intangible assets	4.1.	2.425.681	1.380.121	1.368.457
Financial assets	4.2.	8.316.005	10.574.492	9.505.952
Receivables	4.3.	776.383	1.570.305	1.724.942
Total long-term assets		38.185.003	47.879.674	54.437.713
CURRENT ASSETS				
Inventory	4.4.	2.914.242	3.194.705	4.070.146
Receivables				
Trade receivables	4.5./i/	24.517.946	19.822.477	17.212.578
Receivables for payments on account	4.5./ii/	325	16.556	55.177
Receivables from joint transactions	4.5./iii/	3.558.379	3.652.484	4.649.194
Receivables from the Government	4.5./iv/	15.565.638	2.158	861
Staff-related receivables	4.5./v/	14.111	20.535	32.955
Other current receivables	4.5./vi/	207.225	521.282	404.357
Total receivables		43.863.624	24.035.492	22.355.122
Financial assets	4.6.	7.131.781	7.000.000	8.210.034
Cash	4.7.	10.143.198	6.760.179	6.271.377
Total current assets		64.052.845	40.990.376	40.906.679
Prepayments and accrued income	4.8.	301.864	81.908	319.625
TOTAL ASSETS		102.539.712	88.951.958	95.664.017
CAPITAL AND LIABILITIES				
Capital				
Subscribed capital	4.9./i/	18.000.000	18.000.000	18.000.000
Reserves	4.9./ii/	16.710.241	16.710.241	16.768.603
Retained earnings	4.9./iii/	18.270.650	14.391.662	12.080.329
Current year profit	4.9./iv/	10.465.562	6.510.678	5.426.461
Total capital		63.446.453	55.612.581	52.275.393
Long-term provisions	4.10.	2.620.000	2.620.000	2.900.000
Long-term liabilities	4.11.	5.760.463	16.908.092	23.281.852
Short-term liabilities				
Trade payables	4.12./i/	7.227.310	5.169.550	10.541.988
Payables for payments on account	4.12./ii/	99.294	77.776	38.633
Payables from joint transactions		0	31.621	124.148
Taxes and contributions payables	4.12./iii/	16.785.590	3.652.722	2.921.137
Staff-related payables	4.12./iv/	2.579.942	2.440.189	1.546.870
Other current payables	4.12./v/	3.016.691	949.510	755.186
Total short-term liabilities		29.708.827	12.321.368	15.927.962
Accruals and deferred income	4.12./vi/	1.003.969	1.489.917	1.278.810
TOTAL LIABILITIES		102.539.712	88.951.958	95.664.017

NOVI LIST D.D. RIJEKA

Note: Current year profit stated above represents the current income and expenses balance carried in the records by January 29, 2007. According to the data available when this Report was made, the current year profit will be at the level of the profit earned in 2005..

NOVI LIST D.D. RIJEKA

STATEMENT OF CHANGES IN EQUITY FOR 2006
(based on provisional data) AND 2005

DESCRIPTION	Capital stock	Capital gain	Legal reserves	Reserves	Own shares	Revaluation reserves	Other reserves	Retained earnings	Current year profit	TOTAL
	HRK	HRK	HRK	for own shares	HRK	HRK	HRK	HRK	HRK	HRK
Balance as at January 1, 2005	18.000.000	5.768.063	900.000	1.358.478	(383.129)	323.136	8.802.055	12.080.329	5.426.461	52.275.393
Distribution of 2004 profit	0	0	0	0	0	0	0	5.426.461	(5.426.461)	0
Distribution of retained earnings	0	0	0	0	0	0	0	(3.115.128)	0	(3.115.128)
Increase in reserves	0	0	0	0	(147.000)	88.638	0	0	0	(58.362)
Current year profit	0	0	0	0	0	0	0	0	6.510.678	6.510.678
Balance as at December 31, 2005	18.000.000	5.768.063	900.000	1.358.478	(530.129)	411.774	8.802.055	14.391.662	6.510.678	55.612.581
Distribution of 2005 profit	0	0	0	0	0	0	0	6.510.678	(6.510.678)	0
Distribution of retained earnings	0	0	0	0	0	0	0	(2.631.690)	0	(2.631.690)
Current year profit	0	0	0	0	0	0	0	0	10.465.562	10.465.562
Balance as at December 31, 2006	18.000.000	5.768.063	900.000	1.358.478	(530.129)	411.774	8.802.055	18.270.650	10.465.562	63.446.453
Note	4.9./i/	4.9./ii/	4.9./iii/	4.9./iii/	4.9./ii/	4.9./ii/	4.9./ii/	4.9./iii/	4.9./iv/	

Note: Current year profit stated above represents the current income and expenses balance carried in the records by January 29, 2007. According to the data available when this Report was made, the current year profit will be at the level of the profit earned in 2005.

NOVI LIST D.D. RIJEKA

CASH FLOW STATEMENT FOR 2006
(based on provisional data) AND 2005

DESCRIPTION	2006	2005
	HRK	HRK
A) Cash flow from operating activities		
Profit from operations	25.530.285	6.451.916
Changes in equity – net	(2.631.690)	(3.173.490)
Depreciation	13.295.506	12.565.091
Long-term provisions	0	-280.000)
Assets revaluation	0	1.386.822
Income tax	0	(1.717.570)
Cash flow from nonmonetary transactions	36.194.101	15.232.769
Long-term receivables	793.922	154.637
Inventories	280.463	875.441
Trade receivables	(4.695.469)	(3.996.721)
Receivables under payments on account	16.231	38.621
Receivables from joint transactions	94.105	996.710
Receivables from the Government	(15.563.480)	(1.297)
Staff-related receivables	6.424	12.420
Other short-term receivables	314.057	(116.925)
Prepayments and accrued income	(219.956)	237.717
Trade liabilities	2.057.760	(5.372.438)
Liabilities under payments on account	21.518	39.143
Liabilities from joint transactions	(31.621)	(92.527)
Tax and contribution liabilities	13.132.868	731.585
Staff-related liabilities	139.753	893.319
Other short-term liabilities	2.067.181	194.324
Accruals and deferred income	(485.948)	211.107
Cash flow from monetary transactions	(2.072.192)	(5.194.884)
Net cash flow from operating activities	34.121.909	10.037.885
B) Cash flow from investing activities		
Purchase of tangible and intangible assets	(4.798.739)	(5.634.108)
Other increase/decrease in tangible and intangible assets	(2.163.641)	355.080
Present value of assets sold and written off	309.136	185.879
Non-current financial assets	2.258.487	(1.068.540)
Current financial assets	(131.781)	1.210.034
Net cash flow from investing activities	(4.526.538)	(4.951.655)
C) Cash flow from financing activities		
Loss/profit from financing activities	(15.064.723)	1.776.332
Long-term borrowings	(11.147.629)	(6.373.760))
Net cash flow from financing activities	-26.212.352	(4.597.428)
D) NET INCREASE IN CASH (A+B+C)=(F-E)	3.383.019	488.802
E) CASH AT 1 JANUARY	6.760.179	6.271.377
F) CASH AT 31 DECEMBER	10.143.198	6.760.179
G) INCREASE IN CASH (F-E)	3.383.019	488.802

Note: Current year profit stated above represents the current income and expenses balance carried in the records by January 29, 2007. According to the data available when this Report was made, the current year profit will be at the level of the profit earned in 2005.

NOVI LIST D.D. RIJEKA

1 INTRODUCTION**1.1 GENERAL DATA ON THE COMPANY**

The Company Novi list d.o.o. Rijeka (hereinafter referred to as the Company) is registered with the Commercial Court in Rijeka under ID Number 040000340 as a newspaper publishing company for publishing books, newspapers, magazines and periodicals, sound records and for printing operations.

The subscribed legal capital of 18.000.000,00 HRK has been fully paid in cash. The legal capital consists of 60.000 shares of nominal value of 300 HRK each. The Company's shares have been issued partly as founder's shares of series A (41.810 shares) whereas the remaining 18.190 shares have been issued as founder's shares of series B. The Company's Director keeps a Shares Ledger. He can entrust this job to a business bank or any other professional and qualified legal or physical entity.

The Company's Director should previously approve transfer of the Company's shares. The approval is granted or denied in writing within two months from submission of an application for approval at the latest. Restrictions on transfer and disposal of shares regulated by the Company's Articles of Association refer only to the founder's shares (series A) and to other series if so stipulated by a decision on the shares issue.

Shares can be pledged and subject to any other burden only if the Company's Director gives a written approval.

The Company's Articles of Association were agreed at the Company's founding assembly held on December 20, 1999 and amended at the Company's Assembly held on July 23, 2004.

1.2 COMPANY'S BODIES, ORGANIZATION CHART AND STRUCTURE**a) Company's Assembly**

The Company's Director convenes the General Assembly. All shareholders can participate in the General Assembly; each share gives the right to one vote at the Company's Assembly. The Assembly can make valid decisions if the shareholders or their attorneys participating in the assembly have the shares making more than a half of all the votes in the Company's Assembly.

The Assembly can be held also with a quorum smaller than a half of all the votes at the Assembly if 30% of the nominal value of legal capital is present. Decisions made at such an Assembly meeting will involve only the issues not requiring qualified majority. If the decisions to be made at such an Assembly meeting require qualified majority, the Chairmen of the General Assembly will postpone the meeting and the new meeting will be held within 15 days at the earliest and 30 days at the latest.

The new meeting of the Assembly will be held regardless of the number of shareholders present and the value of their shares. The majority of the votes represented at the General Assembly also in case when the Company's Articles of Association require the qualified majority will make decisions. Decisions involving

1. Increase and decrease in the Company's legal capital,
2. Issue of new emission of shares, types and series of shares and nominal amounts,
3. Status changes in the Company (merging and affiliation with other companies)
4. Winding up and liquidation of the Company
5. Amendments of and/or complements to the Articles of Association

NOVI LIST D.D. RIJEKA

6. Making decision on recall of a member of the Supervisory Board before his/her mandate, and

other issues provided by the Articles of Association, law or a special decision of the Company's Assembly, are considered valid if the members of the General Assembly altogether having at least 75% of represented votes at the General Assembly vote in their favor.

b) Supervisory Board

The Supervisory Board consists of five members. The Supervisory Board members do not have to be the Company's employees. One member of the Supervisory Board is a representative of employees and is appointed and recalled in accordance with the special rules. One member of the Supervisory Board is appointed by the Media Development Equity Fund LLC, which holds that authority until in possession of 10% of the Company's legal capital. The mandate of the Supervisory Board members is four years and the Supervisory Board members can be re-elected. The Assembly elects the Supervisory Board. The Supervisory Board makes decision by the majority of votes and the Supervisory Board members have one vote each.

The Supervisory Board gives agreements to below listed business decisions of the Company's Director, such as:

1. Disposals and burdening the Company's property,
2. Disposals and burdening the Company's profit centers or any of its substantial parts,
3. Founding, acquiring, or (free) use of interests and shares in other companies,
4. Increase or decrease in the capital of its daughter-companies and appointment and recall of their bodies' members,
5. Execution of legal transactions whose value exceeds 15% of the Company's legal capital or which are executed for a period longer than 5 years and exceed the framework of ordinary commercial contracts, and others.

At any time, the General Assembly can recall any member of the Supervisory Board not producing any reason for that act if the recall is voted by at least 75% of the votes present at the General Assembly.

In 2006, the Supervisory Board members were:

- Mr. Zdenko Mance, Chairmen of the Supervisory Board
- Mr. Jaroslaw Gora, Member of the Supervisory Board
- Ms. Lucija Baretić, Member of the Supervisory Board
- Mr. Ivo Kirigin, Member of the Supervisory Board
- Mr. Josip Buršić, Member of the Supervisory Board

c) The Management

The Management is made of one member only, the Company's Director. There is a possibility to appoint a deputy of the Company's Director. The mandate of the Company's Director is 5 years with the possibility to be re-elected. The Supervisory Board makes decision on appointment and recall of the Company's Director. The Company's Director runs the Company's business and acts as an independent and individual representative of the Company. The Supervisory Board decides on the gross

NOVI LIST D.D. RIJEKA

salary of the Director. Mr. Zoran Borčić is the Management representative. On January 16, 2007, Mr. Franjo Butorac was registered as a Company's Director with the Commercial Court Register of Companies.

d) Organization of Business Process

The Regulation of Organization and Systematization (the Regulation) as a part of the Regulation of Labor defines the organization of the Company Novi list d.d. The basic organization of the Company consists of production and technology wholes: sectors and departments.

A sector is an organizational unit performing one or more registered activities of the Company and divided into responsibility centers (CO). A department is an organizational unit, which performs joint services of the Company and renders services to other related companies of the Company.

Internal organization of the Company is as follows:

I SECTORS:

1. Publishing
2. Printing
3. Commercial

II DEPARTMENTS

1. Finance, accounting and planning
2. Development and investments
3. Information and communications
4. Secretary Office (legal, personnel and joint services)

/i/ Publishing sector includes:

1. CO Novi list - newspaper
2. CO Novi list - magazines
3. *Adamić d.o.o. – Publishing Company*

/ii/ Printing sector includes:

1. CO Novi list – Printing Plant

/iii/ Publishing sector includes:

1. CO Novi list - sales
2. CO Novi list - purchase
3. CO Novi list - marketing
4. CO Novi list – export/import

CO Novi list daily includes prepress and publishing of Novi list daily. One hundred and fifty two (152) employees are involved in publishing the daily, six (6) of which are part-time employees. At night, there is one on-duty editor to receive news and organize the night shift work.

The Regulation of Labor and other internal acts define the points-system for each workplace for permanently employed staff and the value of one point. The remuneration is based on the total stimulation granted to the editorial staff, which can

NOVI LIST D.D. RIJEKA

be divided over one month to the employees with the highest contribution to work in that month.

Having analyzed the current system of determining the amount and quality of contributions each reporter has to make every month, we have found out that the quality (and the influence) of each contribution does not have impact on the standard set. The Company does not have a method to treat the effects if the standards set are not met or exceeded.

Since the participation of the merit award in the total salary of employees in the editorial office is negligible and standardization of the quantity and quality of work, as well as solving the problems of exceeding or not meeting the standards has not been defined precisely enough, the calculation of remuneration does not stimulate the employees in terms of the quantity and quality of their work.

By the end of 2006, the editorial office stabilized the number of external associates participating in production of the Novi list daily. The remuneration for work of external associates is defined by a price list stating the amount of remuneration for each contribution for the daily.

Based on the talks made and the analysis of the editorial office capacity, we found that the editorial office has a substantial capacity for at least 10% increase in daily editions in view of more pages and development of new publications.

CO Novi list – Printing Plant includes prepress, printing and post-press processing of publications printed for the needs of own editions and for the editions contracted with other publishers. The printing plant consists of the following departments: ink preparation, CTP, printing, post-press processing, and technologist department. The technologists issue a working order and establish communication with other organizational units and other publishers. The ink preparation department is responsible for the layouts and the CTP department translates complex texts into PDF format to make the impositions. The printing department makes printing matters in two formats (tabloid – Community and magazine – Univerzal 70). The post-press processing department performs the post-press processing and delivers them to the mail room for packing and getting them ready for distribution.

The analysis of the printing plant engagement showed that there was unused capacity in the plant in the morning and afternoon hours when some other jobs could be done (printing other newspapers, magazines, advertising material and similar).

1.3 DESCRIPTION OF BUSINESS & INFORMATION AND ACCOUNTING SYSTEM

The modules in the Company that transfer their data to ORKA with no feedback are as follows:

Printing Plant:

- IS TISAK (printing)
- ROLE (reels)

The program transfers data to ORKA, but there is no feedback.

Sales:

- CIRCULATION AND SALES OF NEWSPAPERS
- SUBSCRIBER MODULE
- SUPPORT TO WHOLESALE AND RETAIL SALE

NOVI LIST D.D. RIJEKA

- Sales of Novi list, DVDs, and books
- SUBSCRIPTION – ON LINE

The program transfers data to ORKA, but there is no feedback.

Marketing:

- AD Manager (ex. IS Marketing):

The program transfer data to the Editorial System TERA GN3 and ORKA, but there is no feedback and no connection with the Editorial System Tera GN3.

Advertisement Department:

- OGLASNIK (advertisements, announcements)

The program transfers data to the Editorial System TERA and ORKA. There is no feedback and there is no connection with the Editorial System Tera GN3.

Web Editorial Office:

- On line edition of Novi list Daily

The program takes the data from the Editorial System Tera GN3.

The Marketing Department sends its data to the Editorial System Tera GN3 same as Advertisement Departments which is than transferred to WEB Editorial Office. The Editorial System Tera GN3 has no interconnection with ORKA.

Management:

- DIGITAL RECORDS (ARCHIVE):
- TRAVEL ORDERS:
- STAFF, SALARIES AND THE REGISTER

The program transfers data to ORKA. There is no feedback.

ORKA

- Basic data on business partners and employees
- Basic data on products
- Assets
- Personnel files
- Personal income of employees (salaries)
- Taxes and contributions
- Material transactions (input-output)
- Production monitoring (working order)
- Inventory accounting
- Purchase and sales ledger
- Foreign exchange operations
- Analytical bookkeeping
- Commercial transactions
- Plan and analysis and business simulations
- Basic graphical presentations of the Company's performance

NOVI LIST D.D. RIJEKA

- Possibility of connecting with MS Office programs
- Integrity and protection of databases (Supra2)+(SQL Interface)

PLATFORMS

- ORKA - AIX (IBM Unix)
- SERVERS (Windows Server 2000, 2003)
- WORKING STATIONS Windows 2000 or Windows XP

BASES

- MS SQL Server - Application Software
- SUPRA2 - ORKA

IS Tisak is software, which, when implemented, substituted manual recording but has not fully enabled exact data processing or a feedback from ORKA. It has not enabled full automation of the work and hence no benefits or saving for the Company. Definition of some data is incorrect - reels are kept in pieces and not in kilograms.

The marketing software is the only software evaluated as software of high operability based on databases. However, similar to other modules it does not have a feedback from the central system. The software used by the Web editorial office has also been rated as good software but it is not an integral part of the editorial system so the work already done by others is sometimes repeated.

The Company's information system operates as a series of unconnected systems performing auxiliary jobs on which basis ORKA is fed in the way that data groups are inputted into the central system. The implemented system is not integral, it does not allow bidirectional communication and does not allow the users of auxiliary modules to use the databases in the way the integral systems would allow.

Since the software quality has not been uniform in all its segments, some auxiliary modules operate as auxiliary tool of employees, which makes some processes easier to perform but it does not enable a better quality analysis and saving for the Company.

The Company does not have written instruction manuals for using the software and therefore it is not possible to identify the system shortcomings or possible patterns of the system use and capacity.

1.4. MANAGEMENT OF HUMAN RESOURCES

On February 28, 2007, the Company had 340 employees of age distribution showed below:

DESCRIPTION	No of employees
Less than 25 years	2
From 25 to 30 years	21
From 30 to 35 years	55
From 35 to 40 years	42
From 40 to 45 years	52
From 45 to 50 years	54
From 50 to 55 years	60
From 55 to 60 years	60
From 60 to 65 years	14
Total	340

NOVI LIST D.D. RIJEKA

The analysis of the employee age distribution and qualification structure revealed that the Company had employed people uniformly and that both employee structures are well balanced. However, to make a conclusion on the employment structure we should have the data on representation of all generations and employee profiles required within each organizational unit and on certain working places, which is not the case with the Company. Having analyzed the employee qualification structure, we identified the following qualification structure on February 28, 2006.

DESCRIPTION	No of employees
Lower educational background	22
Semi-skilled workers	6
Skilled workers	28
Highly skilled workers	5
Secondary school background	126
2-year post secondary school qualifications	34
University qualifications	118
M.Sc.	1
Total	340

1.5. RELATED COMPANIES

Related companies as at December 31, 2006 are:

DESCRIPTION	Type of investment	Company owner	Legal capital HRK	Share in capital %	Voting rights %
Adamić d.o.o. Rijeka	direct	Novi list d.d. Rijeka	80.000	100%	100%
Adamić klub d.o.o. Rijeka	indirect	Adamić d.o.o. Rijeka	20.000	100%	100%
Nova revija d.o.o. Rijeka	direct	Novi list d.d. Rijeka	20.000	100%	100%
Moj grad d.o.o. Rijeka	indirect	Nova revija d.o.o. Rijeka	100.000	75%	75%
Moj grad VG d.o.o. Rijeka	indirect	Moj grad d.o.o. Rijeka	50.100	38%	38%
Kreativni mediji d.o.o. Rijeka	indirect	Nova revija d.o.o. Rijeka	100.000	75%	75%

1.6. EXTERNAL CONTROL OF THE COMPANY'S OPERATION REGULARITY (LEGITIMACY)

According to the data available at the Company Secretary's Office, we found out that the controls (inspections) carried out in the Company in 2006 supported by the following minutes/reports and decisions are as follows:

- A request for instituting an offence procedure against the person in charge and the Company by the State Inspectorate of the Republic of Croatia, Branch Office Rijeka, Department for supervision of labor relations (on December 19, 2005) because the Company failed to register some employees with the old-age pension and health insurance authorities within the time period prescribed by law, because the company failed to serve a written notice (confirmation) of the work contracts signed, because of temporary employment with no valid reason, and because of no records of hours spent at work (all involving the services based on author's contracts). The request was based on the minutes (I, II and III) of inspection of the Novi list d.d. operations covering the relations between the employer and employees (Class 116-02/05-02/801 Ref. No. 556-12-02-05-4 dated December 9, 2005. On October 11, 2005, the offence procedure was terminated because of limitation of action. On February 16, 2006, the procedure were instituted again for the same reasons based on the inspection performed.

NOVI LIST D.D. RIJEKA

- On March 25, 2005, the State Inspection, Class UP/I 115-02/01/21 Reg. No. 556-12-03-05/4 inspected the implementation of the decision under UP/I 115-02/01/21 Ref. No. 556-12-03-05/2. The inspection found that the Company acted fully in agreement with the Decision involving the safety at work.
- March 24, 2005, the Government Office in Primorsko-goranska County, Office responsible for social activities UP/I 543-04/05-01/20-S.K. Reg. No. 2170-78-01-05-3; the Company was found to have fulfilled the conditions relating to space, equipment, employees and safety at work involving the use of small quantities of poisons.
- On February 9, 2006, MUP (Ministry of Internal Affairs) Police Government of Primorsko-goranska county Rijeka, Inspectorate of Internal Affairs, carried out a survey. They produced a decision on February 24, 2006 instructing the Company to install lights on the evacuation ways and adequately designate the direction of exit, and install warnings not to use elevators in case of fire.
- On December 23, 2005, the State Inspectorate, Branch Office Zagreb, Department for supervision of labor relations, instituted offence procedure against the Company because of failing to observe the Labor Act.
- Tax Administration is carrying out a survey but no minutes/report have been made yet.

2. BASIC ACCOUNTING POLICIES

Below is a review of basic accounting policies used in making the financial statements.

2.1. ACCOUNTING POLICIES**a) Operating Income**

Income from sales of newspapers is recognized at the selling price on the date when put on sale. The returns from agents are deducted from total income presented. Income from rendered services and other operating income are recognized on the day when a service is rendered.

b) Financial Income

Financial income is earned by calculating the interests on the funds available on the direct transfer account and from participating interests.

c) Operating Expenses

Operating expenses include all the expenses with regard to invoiced income from services .

d) Financial Expenses

Financial expenses are generated by calculating the interests to belated payments and the loans granted.

NOVI LIST D.D. RIJEKA

e) Intangible Assets

/i/ Intangible assets are stated as fixed assets in conformity with statutory provisions if its life is longer than one year and the value of each asset is higher than 2000 HRK on the date of its procurement.

/ii/ Procurement of intangible assets over the year is stated at the acquisition cost decreased by accumulated depreciation. The acquisition cost consists of the invoiced value of the asset procured plus all the costs incurred by the time the intangible asset is put to use.

/iii/ Long-term intangible assets, regardless of its intended use, are identified their useful life and annual depreciation rates. Depreciation rate for intangible assets is 50% a year.

f) Property, Plants and Equipment

/i/ Equipment, vehicles and furniture are stated as tangible assets in conformity with the statutory provisions if their life is longer than one year and the value of each asset is higher than 2000 HRK at the date of purchase.

/ii/ Procurement of tangible assets over the year is stated at the acquisition value. The acquisition value consists of the invoiced value of the asset purchased increased by all the costs incurred by the time the asset is put to use.

/iii/ Long-term tangible assets, regardless of its intended use, are identified their useful life and annual depreciation rates. Depreciation rates applied are as follows:

Description	2006	2005
	%	%
Property (plants & machines)	40-100%	40-100%
Office furniture	100%	100%
Information equipment	50%	50%
Means of transport	40-50%	40-50%

g) Trade Receivables

/i/ Trade receivables include all receivables for the services rendered and are stated in the balance sheet under the current assets items.

ii/ Trade receivables (total value or a part of it) found to be unrecoverable or their collection is disputed, are revaluated and stated as a revaluation expense on the profit and loss account for the period under the items of operating expenses. Collected written off receivables are stated in the profit and loss account under the items of subsequently identified income from previous years.

h) Long-term Provisions

Long-term provisions are the costs calculated on the basis of risk assessment of losses under legal suits.

NOVI LIST D.D. RIJEKA

2.2. AUDIT OF FINANCIAL STATEMENTS

The financial statements for the year 2005 were audited by Inženjerski biro – revizija d.o.o. Rijeka, an auditing company, which produced a positive opinion.

The financial statements for the year 2005 were audited by Inženjerski biro – revizija d.o.o. Rijeka, an auditing company. Their expressed their opinion with a qualified acceptance because on the date of the balance sheet the Company did not make the evaluation of inventories stated to the amount of 1.090.252 HRK. According to the information obtained during auditing, they included a stock of damaged goods, deficit of goods not presented and the goods whose market value is lower than the value stated in the records.

NOVI LIST D.D. RIJEKA**3. ANALYSIS OF INCOME STATEMENT**

Income statement for the years 2005 and 2006 is stated as follows:

ITEM	Note	2006 HRK	2005 HRK
OPERATING INCOME			
Sales of products		164.587.398	144.066.557
Sales of services and goods		5.538.446	4.040.130
Other operating income		2.202.873	2.197.169
Total operating income		172.328.717	150.303.856
OPERATING EXPENSES			
Costs of material		37.371.801	35.497.507
Acquisition value of merchandise sold		2.812.232	2.923.852
Changes in stock of products and production		56.435	2.394
Costs of services		29.864.759	24.921.576
Staff costs		57.386.466	58.612.351
Depreciation and revaluation		10.747.209	11.785.029
Receivable revaluation		0	1.386.822
Other operating expenses		8.559.530	8.722.409
Total operating expenses		146.798.432	143.851.940
PROFIT FROM ORDINARY ACTIVITIES		25.530.285	6.451.916
FINANCIAL INCOME			
interests		393.071	363.845
Exchange gains/losses		244.340	1.054.990
Other financial income		8.841	2.000.776
Total financial income		646.252	3.419.611
FINANCIAL EXPENSES			
Interests		833.017	990.435
Exchange gains/losses		14.566.030	0
Other financial expenses		311.928	652.844
Total financial expenses		15.710.975	1.643.279
LOSS/PROFIT FROM FINANCIAL ACTIVITIES		(15.064.723)	1.776.332
TOTAL INCOME		172.974.969	153.723.467
TOTAL EXPENSES		162.509.407	145.495.219
Profit before taxation		10.465.562	8.228.248
Income tax		0	1.717.570
CURRENT YEAR PROFIT		10.465.562	6.510.678

NOVI LIST D.D. RIJEKA**3.1. ANALYSIS OF MOST SIGNIFICANT CUSTOMERS**

The analysis of the most important customers (buyers) covered the buyers, which had the largest sales volume with the Company in 2006. The analysis was made by comparing the terms and conditions from the contracts signed and the outgoing invoices for the services rendered and the products supplied. Having examined the business records, we found that the Company observed the provisions of the contracts signed when invoicing the services rendered.

Trade receivables (domestic) stated in the balance sheet as at December 31, 2006 to the amount of 24.517.946 HRK pare as follows:

DESCRIPTION	December 31, 2006	
	HRK	% share
Trade receivables (domestic)	30.042.884	122,53%
Trade receivables (credit cards)	202.951	0,83%
Revaluation of trade receivables	(5.727.889)	-23,36%
TOTAL	24.517.946	100,00%

/i/ Trade receivables (domestic) stated in the balance sheet as at December 31, 2006 to the amount of 30.042.884 HRK are stated as follows:

Name of Buyer	to 30 days	30-60 days	60-90 days	90-120 days	over 120 days	payments of not identified origin	TOTAL
	HRK	HRK	HRK	HRK	HRK	HRK	
Glas Istra d.o.o. Pula	1.729.833	1.779.615	0	0	0	-14.640	3.494.808
Magna Global d.o.o.	588.360	865.348	449.252	319.038	920.868	-553.903	2.588.963
EDIT S P.O. Rijeka	73.336	77.426	70.287	70.659	560.385	0	852.093
Pevec d.o.o. Bjelovar	87.285	185.482	130.928	152.750	127.768	-30.365	653.848
Elektromaterijal d.d. Rijeka	65.355	132.616	298.718	103.330	22.348	0	622.367
Varaždinske vijesti d.d. Varaždin	172.096	149.938	193.376	75.406	0	0	590.816
Mateo Press d.o.o. Rijeka	108.999	122.154	122.977	109.632	84.583	0	548.345
Unex MPG d.o.o. Zagreb	152.205	65.958	116.351	133.498	189.660	-128.478	529.194
Karlovački Tjednik Karlovac	71.424	78.658	64.248	62.442	248.935	0	525.707
Patria 92 d.o.o. Rab	0	42.795	52.722	52.092	365.324	-1.547	511.386
RTD d.o.o. Zadar	321.819	186.278	0	0	0	0	508.097
Karlovački List d.o.o. Karlovac	0	0	0	0	501.826	0	501.826
Makol Marketing tržišne komunikacije	65.437	53.801	46.289	96.403	137.934	0	399.864
Metropolis d.o.o. Zagreb	165.107	218.136	0	0	0	0	383.243
MC Erickson Croatia Zagreb	209.989	66.734	80.341	0	0	0	357.064
RTL Hrvatska d.o.o. Zagreb	135.816	54.423	0	111.500	25.386	0	327.125
Nova TV d.d. Zagreb	28.039	0	21.696	247.674	81.164	-60.732	317.841
Getro d.o.o. Sesvete Zagreb	206.816	50.469	0	0	0	0	257.285
Adamić d.o.o. Rijeka	2.000	0	0	0	252.421	0	254.421
Advans d.o.o. Zagreb	85.998	112.318	0	0	5.001	-1.201	202.116
Meblo Trade d.o.o. Zagreb	15.188	8.762	5.841	5.841	124.212	0	159.844
Loma d.o.o.	10.386	9.809	11.309	11.378	77.246	0	120.128
Mabi trgovački obrt	0	0	0	0	95.078	0	95.078
Sedam d.o.o. Karlovac	0	0	0	0	84.477	0	84.477
Druga Strana d.o.o. Zagreb	0	0	0	0	76.000	0	76.000
Štefani d.o.o.	5.154	8.880	10.901	11.323	37.256	0	73.514
Web Studio d.o.o. Rijeka	8.068	15.537	4.132	5.643	37.490	0	70.870
Autocentar Cerini d.o.o. Rijeka	4.673	10.281	15.888	0	34.713	0	65.555
Jadran galenski Laboratorij	320	0	0	0	61.320	0	61.640
Glas Slavonije d.d. Osijek	2.206	2.207	27.450	2.222	20.911	0	54.996
Ličko Senjska Županija Općina Lovinac	2.440	2.440	2.440	2.440	29.280	0	39.040
Ekskluziva Nekretnine d.o.o. Rijeka	0	0	0	2.745	34.714	0	37.459
Ksantal d.o.o. Rijeka	0	0	0	0	37.353	0	37.353
Lika Nekretnine Otočac	3.629	3.629	3.630	3.630	21.777	0	36.295

NOVI LIST D.D. RIJEKA

Zodus Novi Vinodolski	0	0	0	0	33.568	0	33.568
Bura vl. Vesna Vukušić	0	0	0	0	31.522	0	31.522
OM Komerc d.o.o. Kostrena	0	0	0	0	29.091	0	29.091
Auto Centar Drago	1.464	1.464	1.464	1.464	20.088	0	25.944
Tao trgovački obrt Rijeka	0	0	0	0	22.804	0	22.804
Agencija za promet nekretninama Victoria	2.745	2.745	2.745	2.745	10.588	0	21.568
Ivan Katić Gospić	0	0	0	0	20.557	0	20.557
Solaris vl. Marija Milošević Rijeka	0	0	0	0	19.584	0	19.584
Primorski radio Opatija Bosco d.o.o.	0	0	0	0	19.114	0	19.114
Primorje d.d. Senj	0	0	0	0	19.020	0	19.020
Larus Nautica Rijeka	0	0	0	0	17.795	0	17.795
Mia Križišće	0	0	0	0	17.761	0	17.761
M.A.Ž.E.S.T.I.K. d.o.o. Rijeka	0	0	0	0	17.250	0	17.250
Auto_martr. D.o.o. Rijeka	0	0	0	0	16.958	0	16.958
DSK d.o.o. Viškovo	0	0	0	0	16.471	0	16.471
Liganj specijalna bolnica	0	0	0	2.049	13.835	0	15.884
Melanie Rijeka	0	0	0	0	15.166	0	15.166
Broker Nekretnine d.o.o. Rijeka	0	0	1.452	2.391	11.176	0	15.019
Fam Špina d.o.o. Viškovo	0	0	0	0	13.440	0	13.440
Poslovna znanja d.o.o. Zagreb	0	0	0	0	13.008	0	13.008
Mini Rijeka	0	0	0	0	12.602	0	12.602
Apertus d.o.o. Rijeka	0	0	0	0	12.441	0	12.441
Wang Fang d.o.o.	0	0	0	0	11.468	0	11.468
Horvat Strojarsvo	0	0	0	0	11.102	0	11.102
Fontis d.o.o. Rijeka	0	0	0	0	11.040	0	11.040
EUROTRAVEL d.o.o. Opatija	0	0	0	0	10.625	0	10.625
Others	6.832.826	4.427.884	1.460.513	836.703	2.509.288	-725.815	15.341.399
Total	8.767.484	6.013.398	2.675.411	2.035.301	5.771.539	-948.138	24.314.995

On December 31, 2006 uncollected income from sales of products and services to domestic customers with regard to the current year sales (domestic income 172.328.717 HRK) is 25.78%. Uncollected sales on December 31, 2005 were 16.23%. According to the maturity structure, on December 31, 2006 the Company's trade receivables from domestic buyers totaled 5.771.539 HRK and they were older than 120 days. The payments of not identified origin stated in the balance sheet as at December 31, 2006 totaling 948.138 HRK referred to the payments by the buyers for which the invoices they referred to were not identified. Since the final work on making financial statements of the Company is in progress, those payments, by the time the financial statements are completed, will decrease total receivables stated according to the dates of trade receivables.

NOVI LIST D.D. RIJEKA

The analysis of recoverability of receivables showed that disputed collection of trade receivables includes below stated customers:

Name of Buyer	to 30 days HRK	30-60 days HRK	60-90 days HRK	90-120 days HRK	over 120 days HRK	payments of not identified origin HRK	TOTAL HRK
EDIT S P.O. Rijeka	73.336	77.426	70.287	70.659	560.385	0	852.093
Karlovački Tjednik Karlovac	71.424	78.658	64.248	62.442	248.935	0	525.707
Patria 92 d.o.o. Rab	0	42.795	52.722	52.092	365.323	-1.547	511.385
Karlovački List d.o.o. Karlovac	0	0	0	0	501.826	0	501.826
Makol Marketing tržišne komunikacije d.o.o.	65.437	53.801	46.289	96.403	137.934	0	399.864
Adamić d.o.o. Rijeka	2.000	0	0	0	252.421	0	254.421
Meblo Trade d.o.o. Zagreb	15.188	8.762	5.841	5.841	124.212	0	159.844
Loma d.o.o.	10.386	9.809	11.309	11.378	77.246	0	120.128
Mabi trgovački obrt	0	0	0	0	95.078	0	95.078
Sedam d.o.o. Karlovac	0	0	0	0	84.477	0	84.477
Druga Strana d.o.o. Zagreb	0	0	0	0	76.000	0	76.000
Web Studio d.o.o. Rijeka	8.068	15.537	4.132	5.643	37.490	0	70.870
Autocentar Cerini d.o.o. Rijeka	4.673	10.281	15.888	0	34.713	0	65.555
Jadran galenski Laboratorij	320	0	0	0	61.320	0	61.640
Glas Slavonije d.d. Osijek	2.206	2.207	27.450	2.222	20.911	0	54.996
Ličko Senjska Županija Općina Lovinac	2.440	2.440	2.440	2.440	29.280	0	39.040
Ekskluziva Nekretnine d.o.o. Rijeka	0	0	0	2.745	34.714	0	37.459
Ksantal d.o.o. Rijeka	0	0	0	0	37.353	0	37.353
Lika Nekretnine Otočac	3.629	3.629	3.630	3.630	21.777	0	36.295
Zodus Novi Vinodolski	0	0	0	0	33.568	0	33.568
Bura vl. Vesna Vukušić	0	0	0	0	31.522	0	31.522
OM Komerc d.o.o. Kostrena	0	0	0	0	29.091	0	29.091
Auto Centar Drago	1.464	1.464	1.464	1.464	20.088	0	25.944
Tao trgovački obrt Rijeka	0	0	0	0	22.804	0	22.804
Agencija za promet nekretninama Victoria Rijeka	2.745	2.745	2.745	2.745	10.588	0	21.568
Ivan Katić Gospić	0	0	0	0	20.557	0	20.557
Solaris vl. Marija Milošević Rijeka	0	0	0	0	19.584	0	19.584
Primorski radio Opatija Bosco d.o.o.	0	0	0	0	19.114	0	19.114
Primorje d.d. Senj	0	0	0	0	19.020	0	19.020
Larus Nautica Rijeka	0	0	0	0	17.795	0	17.795
Mia Križišće	0	0	0	0	17.761	0	17.761
M.A.Ž.E.S.T.I.K. d.o.o. Rijeka	0	0	0	0	17.250	0	17.250
Auto_martr. D.o.o. Rijeka	0	0	0	0	16.958	0	16.958
DSK d.o.o. Viškovo	0	0	0	0	16.471	0	16.471
Liganj specijalna bolnica	0	0	0	2.049	13.835	0	15.884
Melanie Rijeka	0	0	0	0	15.166	0	15.166
Broker Nekretnine d.o.o. Rijeka	0	0	1.452	2.391	11.176	0	15.019
Fam Špina d.o.o. Viškovo	0	0	0	0	13.440	0	13.440
Poslovna znanja d.o.o. Zagreb	0	0	0	0	13.008	0	13.008
Mini Rijeka	0	0	0	0	12.602	0	12.602
Apertus d.o.o. Rijeka	0	0	0	0	12.441	0	12.441
Wang Fang d.o.o.	0	0	0	0	11.468	0	11.468
Horvat Strojstvo	0	0	0	0	11.102	0	11.102
Fontis d.o.o. Rijeka	0	0	0	0	11.040	0	11.040
EUROTRAVEL d.o.o. Opatija	0	0	0	0	10.625	0	10.625
Total	263.316	309.554	309.897	324.144	3.249.469	-1.547	4.454.833

The related companies are also included among the customers involving disputed collection of receivables. Since the Company has influence over the operations of those companies and the possibility to collect its receivables, our opinion is that, the receivables from those companies are a sort of investment of the working capital in those companies. Our suggestion to the Company is to reconsider the

NOVI LIST D.D. RIJEKA

amount and the structure of investments required for profitable operation of the related companies to secure a good way of financing them.

Other trade receivables that involve disputed collections are suggesting the solvency problems in those companies. Therefore, the Company should pay special attention to collection of those receivables and agree a payment schedule with such customers.

Having analyzed the revaluation of trade receivables in the period from January 1, 1998 to December 31, 2005, which the Company deems disputed and doubtful in terms of their collection, we found that 8.043.703 HRK was collected of altogether 14.299.056 HRK receivables revaluated from 1998 to 2005 i.e. 56.25%. An average collection of receivables revaluated in the period from 1998 to 2005 is stated as follows:

DESCRIP TION	SSP*1998 HRK	SSP 1999 HRK	SSP 2000 HRK	SSP 2001 HRK	SSP 2002 HRK	SSP 2003 HRK	SSP 2004 HRK	SSP 2005 HRK	Total HRK
Jan 1, 1998	(4.599)	-	-	-	-	-	-	-	(4.599)
Increase	(428.829)	-	-	-	-	-	-	-	(428.829)
Decrease	-	-	-	-	-	-	-	-	-
Dec 31, 1998	(433.428)	-	-	-	-	-	-	-	(433.428)
Increase	132	(207.250)	-	-	-	-	-	-	(207.118)
Decrease	(55.794)	-	-	-	-	-	-	-	(55.794)
Dec 31, 1999	(377.502)	(207.250)	-	-	-	-	-	-	(584.752)
Increase	-	-	(7.580.014)	-	-	-	-	-	(7.580.014)
Decrease	(5.114)	(19.658)	(27.140)	-	-	-	-	-	(51.912)
Dec 31, 2000	(372.388)	(187.592)	(7.552.874)	-	-	-	-	-	(8.112.854)
Increase	-	-	(936.143)	(1.958.042)	-	-	-	-	(2.894.185)
Decrease	(1.408)	-	(7.018.791)	(602.866)	-	-	-	-	(7.623.065)
Dec 31, 2001	(370.980)	(187.592)	(1.470.226)	(1.355.176)	-	-	-	-	(3.383.974)
Increase	-	-	-	(1.391)	(891.101)	-	-	-	(892.492)
Decrease	(6.716)	(191)	(5.674)	(25.347)	(18.160)	-	-	-	(56.088)
Dec 31, 2002	(364.264)	(187.401)	(1.464.552)	(1.331.220)	(872.941)	-	-	-	(4.220.378)
Increase	-	-	-	-	-	(712.021)	-	-	(712.021)
Decrease	(10.834)	-	(1.738)	(16.793)	(21.656)	(40.555)	-	-	(91.576)
Dec 31, 2003	(353.430)	(187.401)	(1.462.814)	(1.314.427)	(851.285)	(671.466)	-	-	(4.840.823)
Increase	-	-	-	-	-	-	(780.427)	-	(780.427)
Decrease	-	-	(527)	(2.350)	(36.931)	(122.603)	(79.896)	-	(242.307)
Dec 31, 2004	(353.430)	(187.401)	(1.462.287)	(1.312.077)	(814.354)	(548.863)	(700.531)	-	(5.378.943)
Increase	-	-	-	-	-	-	-	(799.371)	(799.371)
Decrease	-	-	-	-	(10.223)	(883)	(38.411)	(303.132)	(352.649)
Dec 31, 2005	(353.430)	(187.401)	(1.462.287)	(1.312.077)	(804.131)	(547.980)	(662.120)	(496.239)	(5.825.665)
Increase	-	-	-	-	-	-	-	-	-
Decrease	-	-	-	(976)	(5.843)	(5.993)	(22.368)	(62.595)	(97.775)
Dec 31, 2006	(353.430)	(187.401)	(1.462.287)	(1.311.101)	(798.288)	(541.987)	(639.752)	(433.644)	(5.727.890)
Revaluated	433.296	207.250	8.516.157	1.959.433	891.101	712.021	780.427	799.371	14.299.056
Collected	79.866	19.849	7.053.870	120.869	92.813	170.034	140.675	365.727	8.043.703
Eliminated	0	0	0	527.463	0	0	0	0	527.463
Not collected	433.296	207.250	8.516.157	1.431.970	891.101	712.021	780.427	799.371	13.771.593
% collection	18,43%	9,58%	82,83%	6,17%	10,42%	23,88%	18,03%	45,75%	56,25%

* SSP=disputed and doubtful receivables

We have analyzed the recoverability of revaluated receivables and found that on average, the Company recovers 56.25% of receivables that had been revaluated at the expense of the current period income. This percentage of revaluated receivables collection is substantially affected by collection of revaluated receivables from the company Tisak d.d. Zagreb totaling 5.124.444 HRK that the Company translated into

NOVI LIST D.D. RIJEKA

shares during the bankruptcy proceedings and restructuring of the company Tisak d.d. Zagreb. Without the collection of receivables just mentioned, an average collection of revaluated receivables is 20.42 %.

Departure from the average collection of revaluated receivables to the amount of 20.42% was recorded only in 2000 when the collection rate was 82.83%. Namely, it was in 2000 when the Company managed to collect its receivables from the company Tisak d.d. Zagreb by substituting the receivables for the company's shares to the amount of 5.124.444 HRK. If the collection of outstanding debts in 2000 is considered without the impact of the receivables by Tisak d.d. Zagreb, it amounts 22.66%, which is in accordance with an average collection of revaluated receivables achieved in the survey period and does not include the impact of collection of revaluated receivables from Tisak d.d. Zagreb.

Since the Company succeeds in collecting only one fifth of receivables from the revaluated receivables, it can be concluded that the revaluations are performed when the collection of the receivables becomes almost impossible. Our opinion is that the cooperation should be terminated and any possible measures should be taken for forced collection when the buyer still has sufficiently solvent, which would undoubtedly increase the collection of receivables and thus the Company's performance.

We note that the data for 2006 have not been processed yet because the procedure for identifying doubtful and disputed receivables is still in progress.

/ii/ Doubtful and disputed receivables from domestic buyers stated in the balance sheet as at December 31, 2006 to the amount of 5.727.889 HRK are stated as follows:

DESCRIPTION	December 31,	Increase	Decrease	December 31,
	2005 HRK			2006 HRK
Buyers – sued and under bankruptcy	4.514.979	0	96.799	4.418.180
Buyers – sued and under bankruptcy (2001)	1.310.686	0	976	1.309.710
Total doubtful and disputed receivables	5.825.665	0	97.775	5.727.890
Revaluation – Commissioned merchandize 1998	(146.827)	0	0	(146.827)
Revaluation – Adverts and announcements 1998	(206.603)	0	0	(206.603)
Revaluation – 1999 distress	(187.401)	0	0	(187.401)
Revaluation – 2000 distress	(1.456.578)	0	0	(1.456.578)
Revaluation – 2000 bankruptcy	(5.709)	0	0	(5.709)
Revaluation – Commissioned merchandize 2001	(398.833)	0	0	(398.833)
Revaluation – Adverts and announcements 2001	(897.908)	0	-976	(896.932)
Revaluation – 2001 bankruptcy	(15.336)	0	0	(15.336)
Revaluation – Commissioned merchandize 2002	(238.656)	0	-1.523	(237.133)
Revaluation – Adverts and announcements 2002	(565.475)	0	-4.320	(561.155)
Revaluation – Commissioned merchandize 2003	(133.524)	0	-5.993	(127.531)
Revaluation – Adverts and announcements 2003	(414.456)	0	0	(414.456)
Revaluation – Commissioned merchandize 2004	(231.344)	0	-13.278	(218.066)
Revaluation – Adverts and announcement 2004	(430.776)	0	-9.090	(421.686)
Revaluation – Commissioned merchandize 2005	(110.711)	0	0	(110.711)
Revaluation – Adverts and announcements 2005	(385.528)	0	-62.595	(322.933)
Total revaluation of receivables	(5.825.665)	0	-97.775	(5.727.890)
TOTAL	0	0	0	0

NOVI LIST D.D. RIJEKA

We point out that the revaluation amount for 2006 has not been identified yet because the assessment of recoverability of trade receivables stated in the balance sheet as at December 31, 2006 is underway. Some buyers from which the Company could not collect its receivables and are included in the balance sheet as at December 31, 2006 are:

• Feral Tribune d.o.o.	1.803.288 HRK
• Karlovački list d.o.o.	672.802 HRK
• Tirant d.o.o.	148.698 HRK
• Žal d.o.o.	115.505 HRK
• Media balance d.o.o.	95.556 HRK
• Albatros Media d.o.o.	84.130 HRK
• Imperial Media d.o.o.	69.296 HRK
• Media d.o.o.	67.307 HRK
• Multimedijalni centar	62.587 HRK
• Mare d.o.o.	61.627 HRK
• Savez studenata Zagreb	60.081 kunu
• Rabus Media d.o.o.	57.610 HRK
• Istarski glas d.o.o.	49.622 HRK

Receivables from the company Feral Tribune were revaluated to the total amount of 1.803.288 HRK in 2001. By the end of 1999, the Company was rendering printing services to the Feral Tribune Weekly whose value was some 4 million HRK and the Company was regularly collecting its receivables all the way by 1999 when slightly less than half of total invoice value of the printing services remained uncollected i.e. 1.429.598 HRK. In 2000, the Company went on with doing business with the company Feral Tribune d.o.o. so by the end of that business year the amount of uncollected receivables raised to 2.231.932 HRK because the payments over the year were half of what Feral Tribune used to pay two years ago.

With regard to the payment schedule of the company Feral Tribune d.o.o. our opinion is that the Company should have started the application of the available means of forced collection in 1999 because already in 1999 the payments effected were lower by one fourth than the payments effected in 1998. If the Company's assessed that the collection of receivables is related to publishing the weekly, which was the reason to proceed with doing business with the disputable company, the cooperation should have been terminated by 2000 at the latest. At that time, it was clear that the company Feral Tribune d.o.o. was an unprofitable company not able to pay its debts because of losses its weekly generated. Below is a review of the changes in the receivables from the Company Feral Tribune d.o.o.:

Year	Sales volume	Revaluation	of which sued or under
------	--------------	-------------	------------------------------

NOVI LIST D.D. RIJEKA

	bankruptcy		
	HRK	HRK	HRK
01.01.98.	267.446,00	0,00	0,00
increase	4.366.075,00	0,00	0,00
decrease	4.162.692,00	0,00	0,00
31.12.98.	470.829,00	0,00	0,00
increase	3.982.760,00	0,00	0,00
decrease	3.023.991,00	0,00	0,00
31.12.99.	1.429.598,00	0,00	0,00
increase	3.578.166,00	0,00	0,00
decrease	2.775.832,00	0,00	0,00
31.12.00.	2.231.932,00	2.007.264,00	2.007.264,00
increase	991.677,00	732.167,00	732.167,00
decrease	1.420.321,00	936.143,00	936.143,00
31.12.01.	1.803.288,00	1.803.288,00	1.803.288,00
31.12.02.	1.803.288,00	1.803.288,00	1.803.288,00
31.12.03.	1.803.288,00	1.803.288,00	1.803.288,00
31.12.04.	1.803.288,00	1.803.288,00	1.803.288,00
31.12.05.	1.803.288,00	1.803.288,00	1.803.288,00
31.12.06.	1.803.288,00	1.803.288,00	1.803.288,00

The analysis of the company Žal d.o.o. showed that the cooperation with the company Žal d.o.o. started in 2001 and that in 2000 the company paid less than a half of totally invoiced amount of 260.909 HRK. Since the collection of the receivables in 2000 and in 2001 suggested disputed collection of the receivables from the company Žal d.o.o., our opinion is that already in 2001 the Company should have paid more attention to collection of receivables. The reasons for that decision are that the company Žal d.o.o. was not a long-standing customer; the Company was not very familiar with their performance and business activities to justify its approval of the company's single failure to effect the payment. Below is a review of the changes in the receivables from the company Žal d.o.o.

			of which sued or under bankruptcy
date	sales volume	revaluation	
	HRK	HRK	HRK
31.12.00.	0,00	0,00	0,00
increase	260.909,00	0,00	0,00
decrease	121.576,00	0,00	0,00
31.12.01.	139.333,00	0,00	0,00
increase	265.548,00	115.504,00	0,00
decrease	520.385,00	0,00	0,00
31.12.02.	-115.504,00	115.504,00	0,00
31.12.03.	-115.504,00	115.504,00	0,00
31.12.04.	-115.504,00	115.504,00	0,00
31.12.05.	-115.504,00	115.504,00	0,00
31.12.06.	-115.504,00	115.504,00	0,00

The analysis of receivables from the company Media Balance d.o.o. showed that the cooperation with the company Media Balance d.o.o. started in 2001 and that in 2002 the company paid less than half of total invoiced services of 147.345. Since the collection of the receivables in 2001 suggested disputed collection of receivables from the company Media Balance d.o.o., our opinion is that already in 2001 the Company should have paid more attention to collection of receivables. The reasons for that decision are that the company Media Balance d.o.o. was not a long-standing customer; the company was not very familiar with their performance and business activities to

NOVI LIST D.D. RIJEKA

justify its approval of the company's single failure to effect the payment. Below is a review of the changed in the receivables from the company Media Balance d.o.o.

date	sales volume	revaluation	of which sued or under bankruptcy
	HRK	HRK	HRK
01.01.2001.	0,00	0,00	0,00
increase	4.172,00	0,00	0,00
decrease	3.547,00	0,00	0,00
31.12.01.	625,00	0,00	0,00
increase	147.345,00	0,00	0,00
decrease	58.335,00	0,00	0,00
31.12.02.	89.635,00	0,00	0,00
increase	10.740,00	95.556,00	0,00
decrease	4.819,00	0,00	0,00
31.12.03.	95.556,00	95.556,00	0,00
31.12.04.	95.556,00	95.556,00	0,00
31.12.05.	95.556,00	95.556,00	0,00
31.12.06.	95.556,00	95.556,00	0,00

The analysis of the receivables from the company Mare d.o.o. showed that during 2002 the company paid slightly more than half of total invoiced amount of 105.542 HRK. Since the collection of the receivables in 2002 suggests that the collection of receivables from the company Media Balance d.o.o. was disputed, our opinion is that the Company should have paid more attention to collection of receivables already in 2002, terminate the cooperation already in 2002 because it was obvious that the company Mare d.o.o. was not capable of settling its debts on time. Below is a review of changes in the receivables of the company Mare d.o.o.:

date	sales volume	revaluation	of which sued or under bankruptcy
	HRK	HRK	HRK
31.12.02.	0,00	0,00	0,00
increase	105.542,00	0,00	0,00
decrease	73.678,00	0,00	0,00
31.12.03.	31.864,00	0,00	0,00
increase	32.694,00	61.627,00	0,00
decrease	2.931,00	0,00	0,00
31.12.04.	61.627,00	61.627,00	0,00
31.12.05.	61.627,00	61.627,00	0,00
31.12.06.	61.627,00	61.627,00	0,00

The analysis of receivables from the company Imperial media d.o.o. showed that in 1998 the Company's business with the company Imperial media d.o.o. was very successful. Total sales volume was 2.860.874 HRK. However, in 1999, the Company succeeded in collecting nothing from total invoiced amount of 69.269 KRK. Because of considerable sales volume with the company Imperial media d.o.o. the year before, our opinion is that by agreeing to establish business cooperation with the company Imperial media d.o.o. the Company established a very successful cooperation and the damage suffered by to the Company because of uncollected receivables invoiced in 1999 was negligible when compared to the benefits from collection of uncollected receivables in

NOVI LIST D.D. RIJEKA

1998. Below is a review of changes in the receivables from the company Imperial media d.o.o.:

date	sales volume	revaluation	of which sued or under bankruptcy
	HRK	HRK	HRK
01.01.98.	49.050,00	0,00	0,00
increase	2.860.874,00	0,00	0,00
decrease	2.909.924,00	0,00	0,00
31.12.98.	0,00	0,00	0,00
increase	69.296,00	0,00	0,00
decrease	0,00	0,00	0,00
31.12.99.	69.296,00	0,00	0,00
increase	0,00	69.296,00	0,00
decrease	0,00	0,00	0,00
31.12.00.	69.296,00	69.296,00	69.296,00
31.12.01.	69.296,00	69.296,00	69.296,00
31.12.02.	69.296,00	69.296,00	69.296,00
31.12.03.	69.296,00	69.296,00	69.296,00
31.12.04.	69.296,00	69.296,00	69.296,00
31.12.05.	69.296,00	69.296,00	69.296,00
31.12.06.	69.296,00	69.296,00	69.296,00

Since the analysis of doubtful and disputed trade receivables covered the period from 1998, the receivables from Student Union Zagreb was already stated as at January 1, 1998 to the amount of 79.294 HRK. In 1998, the Company continued the cooperation with the Student Union Zagreb and achieved sales of 7.808 HRK although the collection during the year was not sufficient to settle the debts stated at the initial balance. Below is a review of changes in the receivables from the Student Union Zagreb:

date	sales volume	revaluation	of which sued or under bankruptcy
	HRK	HRK	HRK
01.01.98.	79.294,00	20.463,00	0,00
increase	7.808,00	39.618,00	0,00
decrease	27.021,00	0,00	0,00
31.12.98.	60.081,00	60.081,00	60.081,00
31.12.99.	60.081,00	60.081,00	60.081,00
31.12.00.	60.081,00	60.081,00	60.081,00
31.12.01.	60.081,00	60.081,00	60.081,00
31.12.02.	60.081,00	60.081,00	60.081,00
31.12.03.	60.081,00	60.081,00	60.081,00
31.12.04.	60.081,00	60.081,00	60.081,00
31.12.05.	60.081,00	60.081,00	60.081,00
31.12.06.	60.081,00	60.081,00	60.081,00

Our analysis of doubtful and disputed receivables from the buyer Multimedijalni Centar showed that in 2000 the contested customer received an invoice from the Company to the amount of 2.141 HRK and that the invoice had not been settled by 2004. In 2001, the amount was sued and revaluated at the expense of the current accounting period income. In spite of bad experience with Multimedijalni Centar, in

NOVI LIST D.D. RIJEKA

2004, the Company continued the cooperation and in the same year collected only 23.290 HRK of total invoiced amount of 62.679 HRK. In 2005, the cooperation went on with the same collection effect and on December 31, 2005, total uncollected debt of 62.587 was revaluated at the expenses of the current period income. Below is a review of changes in the receivables of the company Multimedijalni centar:

date	sales volume	revaluation	of which sued or under bankruptcy
	HRK	HRK	HRK
31.12.99.	0,00	0,00	0,00
increase	2.141,00	0,00	0,00
decrease	0,00	0,00	0,00
31.12.00.	2.141,00	0,00	0,00
increase	0,00	2.141,00	2.141,00
decrease	0,00	0,00	0,00
31.12.01.	2.141,00	2.141,00	2.141,00
31.12.02.	2.141,00	2.141,00	2.141,00
31.12.03.	2.141,00	2.141,00	2.141,00
increase	62.679,00	0,00	0,00
decrease	23.290,00	0,00	0,00
31.12.04.	41.530,00	2.141,00	2.141,00
increase	57.899,00	60.446,00	0,00
decrease	36.842,00	0,00	0,00
31.12.05.	62.587,00	62.587,00	2.141,00
31.12.06.	62.587,00	62.587,00	2.141,00

Our analysis of disputed and doubtful debt from the company Media d.o.o. showed that the cooperation with that contested buyer started in 2001 with a sales volume with the company Media d.o.o. of 267.952 HRK of which 200.567 HRK was collected and uncollected receivable was revaluated in 2002. Since the amount of the income earned and the payment schedule suggested that the company Media d.o.o. was a good customer, our opinion is the Company could not foresee the problems with collection and had no instruments to collect its receivables except for taking timely legal actions. Below is a review of changes in the receivables from the company Media d.o.o.:

date	sales volume	revaluation	of which sued or under bankruptcy
	HRK	HRK	HRK
31.12.00.	0,00	0,00	0,00
increase	267.952,00	0,00	0,00
decrease	200.567,00	0,00	0,00
31.12.01.	67.385,00	0,00	0,00
increase	0,00	67.385,00	0,00
decrease	0,00	0,00	0,00
31.12.02.	67.385,00	67.385,00	0,00
31.12.03.	67.385,00	67.385,00	0,00
31.12.04.	67.385,00	67.385,00	0,00
31.12.05.	67.307,00	67.307,00	0,00
31.12.06.	67.307,00	67.307,00	0,00

Our analysis of disputed and doubtful debt from the company Albatros media d.o.o. showed that the cooperation with the company Albatros media d.o.o. was successful throughout the period surveyed all the way to 2005 when the company Albatros media stopped effecting regular payments. The consequence was that in 2005 total debt from Albatros media d.o.o. was revaluated. Below is a review of changes in the receivables from the company Albratos d.o.o.:

NOVI LIST D.D. RIJEKA

date	sales volume	revaluation	of which sued or under bankruptcy
	HRK	HRK	HRK
01.01.98.	8.400,00	0,00	0,00
increase	109.272,00	0,00	0,00
decrease	98.480,00	0,00	0,00
31.12.98.	19.192,00	0,00	0,00
increase	96.654,00	0,00	0,00
decrease	80.185,00	0,00	0,00
31.12.99.	35.661,00	0,00	0,00
increase	168.052,00	0,00	0,00
decrease	188.552,00	0,00	0,00
31.12.00.	15.161,00	0,00	0,00
increase	78.817,00	0,00	0,00
decrease	77.824,00	0,00	0,00
31.12.01.	16.154,00	0,00	0,00
increase	67.147,00	0,00	0,00
decrease	58.654,00	0,00	0,00
31.12.02.	24.647,00	0,00	0,00
increase	47.043,00	0,00	0,00
decrease	50.778,00	0,00	0,00
31.12.03.	20.912,00	0,00	0,00
increase	126.630,00	0,00	0,00
decrease	109.813,00	0,00	0,00
31.12.04.	37.729,00	0,00	0,00
increase	84.130,00	84.130,00	0,00
decrease	28.000,00	0,00	0,00
31.12.05.	93.859,00	84.130,00	0,00
increase	0,00	0,00	0,00
decrease	9.729,00	0,00	0,00
31.12.06.	84.130,00	84.130,00	0,00

The analyzes of doubtful and disputed debts from the buyer Karlovački list d.o.o. showed us that Karlovački list d.o.o. was relatively a regular payer of its debts over the period surveyed. Since the receivables invoiced to Karlovački list d.o.o. were higher than what the company Karlovački list could financially take, it was evident that the company Karlovački list d.o.o., being a related company, was not sufficiently financed and that the financing was effected by the printing services, which was more expensive financing in terms of tax payments. Below is a review of changes in the receivables from the company Karlovački list. d.o.o.

date	sales volume	revaluation	of which sued or under bankruptcy
	HRK	HRK	HRK
01.01.98.	287.636,00	0,00	0,00
increase	180.674,00	0,00	0,00
decrease	136.365,00	0,00	0,00
31.12.98.	331.945,00	0,00	0,00
increase	167.551,00	0,00	0,00

NOVI LIST D.D. RIJEKA

decrease	176.954,00	0,00	0,00
31.12.99.	322.542,00	0,00	0,00
increase	158.610,00	0,00	0,00
decrease	0,00	0,00	0,00
31.12.00.	481.152,00	0,00	0,00
increase	164.337,00	527.463,00	527.463,00
decrease	527.463,00	527.463,00	527.463,00
31.12.01.	118.026,00	0,00	0,00
increase	258.208,00	0,00	0,00
decrease	120.899,00	0,00	0,00
31.12.02.	255.335,00	0,00	0,00
increase	211.173,00	239.464,00	0,00
decrease	161.406,00	0,00	0,00
31.12.03.	305.102,00	239.464,00	0,00
increase	534.538,00	0,00	0,00
decrease	347.786,00	68.488,00	0,00
31.12.04.	491.854,00	170.976,00	0,00
increase	442.462,00	0,00	0,00
decrease	336.431,00	0,00	0,00
31.12.05.	597.885,00	170.976,00	0,00
increase	423.005,00	0,00	0,00
decrease	348.088,00	0,00	0,00
31.12.06.	672.802,00	170.976,00	0,00

The analyzes of disputed and doubtful debts of the buyer Tirant d.o.o. showed that there was a long-standing cooperation with the company Tirant d.o.o., which has intensified since 2001 and resulted in total invoiced amount to the company Tirant d.o.o. of approximately 700.000 HRK per year. Payment of the receivables throughout the survey period fully followed the value of the services rendered until 2001 when the value of the services decreased and so did their payment. Our opinion is that according to past cooperation the Company could not foresee that some receivables would remain unsettled. Below is a review of changes in the receivables from the company Tirant d.o.o.:

date	sales volume	revaluation	of which sued or under bankruptcy
	HRK	HRK	HRK
01.01.98.	16.524,00	0,00	0,00
increase	800,00	0,00	0,00
decrease	17.324,00	0,00	0,00
31.12.98.	0,00	0,00	0,00
increase	1.820,00	0,00	0,00
decrease	1.600,00	0,00	0,00
31.12.99.	220,00	0,00	0,00
increase	1.600,00	0,00	0,00
decrease	1.600,00	0,00	0,00
31.12.00.	220,00	0,00	0,00
increase	732.663,00	0,00	0,00
decrease	636.154,00	0,00	0,00
31.12.01.	96.729,00	0,00	0,00
increase	698.964,00	0,00	0,00
decrease	699.882,00	0,00	0,00
31.12.02.	95.811,00	0,00	0,00
increase	627.954,00	0,00	0,00
decrease	630.702,00	0,00	0,00
31.12.03.	93.063,00	0,00	0,00
increase	240.216,00	148.698,00	0,00
decrease	184.581,00	0,00	0,00

NOVI LIST D.D. RIJEKA

31.12.04.	148.698,00	148.698,00	0,00
31.12.05.	148.698,00	148.698,00	0,00
31.12.06.	148.698,00	148.698,00	0,00

Business cooperation with the company Tisak d.d. Zagreb because of the business activities of Tisak d.d. Zagreb was something that could hardly be bypassed. For years, the company Tisak d.d. was a profitable and solvent company so the Company could not foresee on time that the company Tisak d.d. was going to be subject to the bankruptcy proceedings. Since a company of profitable business was in question, when the bankruptcy was completed and the company restructured, the Company substituted its receivables for the ownership interests in Tisak d.d. Below is a review of changes in the receivables from the company:

date	sales volume	revaluation	of which sued or under bankruptcy
	HRK	HRK	HRK
01.01.98.	0,00	0,00	0,00
increase	24.316.882,00	0,00	0,00
decrease	21.267.846,00	0,00	0,00
31.12.98.	3.049.036,00	0,00	0,00
increase	22.865.423,00	0,00	0,00
decrease	21.712.216,00	0,00	0,00
31.12.99.	4.202.243,00	0,00	0,00
increase	3.094.035,00	5.124.444,00	0,00
decrease	2.171.834,00	0,00	0,00
31.12.00.	5.124.444,00	5.124.444,00	5.124.444,00
31.12.01.	5.124.444,00	5.124.444,00	5.124.444,00
increase	0,00	0,00	0,00
decrease	5.124.444,00	5.124.444,00	5.124.444,00
31.12.02.	0,00	0,00	0,00

/iii/ A review of the most important contracts signed with the Company's buyers is given below:

Name of Buyer	December 31, 2006 HRK	Type of service
Glas Istra d.o.o. Pula	3.494.808	cooperation
Magna Global d.o.o.	2.588.964	advertising
Edit S P.O. Rijeka	852.094	cooperation
Pevec d.o.o. Bjelovar	653.848	advertising
Elektromaterijal d.d. Rijeka	622.367	to order
Varaždinske vijesti d.d. Varaždin	590.816	printing
Mateo Press d.o.o. Rijeka	548.345	commission sale
Unex MPG d.o.o. Zagreb	529.194	advertising
Karlovački tjednik Karlovac	525.707	printing
Patria 92 d.o.o. Rab	511.386	-
RTD d.o.o. Zadar	508.097	-
Karlovački list d.o.o. Karlovac	501.826	-
Mako Marketing tržišne komunikacije d.o.o.	399.864	advertising
Metropolis d.o.o. Zagreb	383.243	cooperation
MC Erickson Croatia Zagreb	357.064	to order
RTL Hrvatska d.o.o. Zagreb	327.125	advertising
Nova TV d.o.o. Zagreb	317.841	advertising
Getro d.o.o. Sesvete Zagreb	257.285	to order
Adamić d.o.o. Rijeka	252.421	lease and sale of books

NOVI LIST D.D. RIJEKA

Advans d.o.o. Zagreb

202.116 advertising

- contracts not received

- **GLAS ISTRE D.O.O. PULA**

On July 1, 2004 the Company signed a contract with the company Glas Istre d.o.o. Pula of long-term business cooperation. The contract stipulated mutual rights and responsibilities of Novi list and Glas Istre regarding publishing and printing of Butiga (advertising magazine).

Butiga is a weekly magazine containing advertisements whose publishers are Novi list and Glas Istre. The magazine for the area traditionally covered by Novi list (Primorsko-goranska County) is published by Novi list under the name of Novi list Butiga and for the area traditionally covered by Glas Istre it is published under the name of Glas Istre Butiga and the publisher is Glas Istre. The entire organization of jobs regarding publishing Butiga magazine, except for receiving advertisements from the territory of Istria, determination of circulation, negotiations with commissionaires and distribution in the area, is within the responsibilities of Novi list.

The price for printing and post-press processing of Glas Istre Butiga having 268 pages with the supplement of which 12 off coated papers, is agreed to the amount of 5.15 HRK per each copy. The price of editorial service is agreed to the amount of 3.500 HRK per each number of Glas Istra Butiga.

On October 30, 2006, an annex to the contract was signed with the company Glas Istre d.o.o. Pula. According to the Clause 3 of the annex, the price for printing and post-press processing of Glas Istra Butiga was reduced from 5.15 HRK per each copy (for 268 pages of which 12 covers) to 4.05 HRK per each copy (116 pages of which 4 covers), to 4.15 HRK per each copy (132 pages of which 4 covers), and to 4.25 HRK per each copy (148 pages of which 4 covers).

- **METROPOLIS D.O.O. ZAGREB**

On September 29, 2006, the Company signed a contract with METROPOLIS d.o.o. for printing services and sale of newspaper articles and news for the Metro Express daily. The circulation agreed was 40.000 copies of which 25.000 was Rijeka version and 15.000 copies Istrian version in the format of 290 x 420 mm, type area 260 x 390 mm, newsprint 42.5 gr/m², customer's property, all in four colors, 24 pages and 32 pages respectively, offset print, 5 days a week (Monday to Friday). For a 24-page print, the price agreed is 0.34 HRK per copy and for a 32-page print the price is 0.41 HRK per copy.

The price for machine inserting a commercial supplement into publications is 1.500 HRK. The same amount is calculated for simultaneous machine inserting of two supplements. All printer's waste (incorrectly printed copies, process surplus, reels, brown wrapping paper and waste white paper) belongs to the company Metropolis d.o.o.

Following the contractual provisions, the Company is obliged to produce for the buyer the newspaper articles and news that generally refer to the events in the area of the City of Rijeka and Primorsko-goranska County. The Company shall offer such articles and news to the customer at his own option and in a mutually agreed quantity that will not exceed four pages per each edition. The price to be paid by the company Metropolis d.o.o for newspaper articles and news is 1.000 HRK per each edition.

We have analyzed the cost of production and found that the price for printing one copy calculated based on the material used for the period from January 1 to October 30, 2006 was 0.55 HRK. Having compared the production cost and the selling price it

NOVI LIST D.D. RIJEKA

can be concluded that because of the provisions of the contract signed with the company Metropolis d.o.o., the loss incurred by the Company per one published copy is 0.14 HRK at least.

Since the Company agreed to produce also a 4-page supplement containing articles and news from the area of the City of Rijeka and Primorsko-goranska County, our opinion is that in such a way the Company sells the very heart of its newspapers for 1000 HRK per edition. Actually, it sells the competitive advantage with regard to the newspapers of global character. At the same time, it makes possible for the only newspapers, being a competitor in terms of a substitute to daily newspapers, more profitable business operations because by taking over the newspaper articles and the news from the Company they are under no obligation to pay high costs for their own editorial and reporters offices.

If we divide the annual cost of running the editorial office of Novi list identified for the year 2005 (the calculation of editorial office costs for the year 2006 is underway) by the number of pages of Novi list newspapers and further by the number of days when the newspaper is published, it can be concluded that a daily cost of editorial office for one page totals approximately 2.900 HRK. Even in case of introduction of job improvement, more efficient operation, and the increase in the number of pages from 48 to 64, the costs of the editorial office per each edition would not be below approximately 2.000 HRK/page.

Our opinion is that the contract for printing services signed with the company Metropolis d.o.o. was business wise a justifiable and profitable job for the Company of Novi list d.d. However, the benefits for the Company from contracting production of newspaper articles and news is a very sensitive and questionable area whose effects should be carefully reconsidered by and Company to evaluate their impact on the increase that is decrease in sales of its own newspapers.

• **ADVERTISING CONTRACTS**

The contracts for advertising services signed with the customers with whom the largest sales volume was achieved in 2006 are showed below:

Name of Contracting Party (Agency)	Date of Contract	Discount %	Contract Price HRK	Discount (%)	User of Service
Pevac d.o.o.	14.11.05.	17%	100.000	5%	
Dotični Carat d.o.o.	01.01.06.	17%	100.000	5%	
Unex MPG d.o.o.	01.01.06.	17%	100.000	5%	
Imago reklamna agencija d.o.o.	01.01.06.	17%	100.000	5%	Raiffeisen Consulting
Public Image d.o.o.	01.01.06.	17%	100.000	5%	
Advans d.o.o.	01.01.06.	17%	100.000	5%	
Magna global d.o.o.	01.01.06.	17%	100.000	5%	
MD Media Direction	01.01.06.	17%	100.000	5%	Privredna banka PZ Auto
K&K Promocija d.o.o.	01.01.06.	17%	100.000	5%	Gradska Štedno Kreditna
Makol-Marketing tržišne komunikacije d.o.o.	01.01.06.	17%	100.000	5%	
I.B.O. art d.o.o. marketing i usluge	01.01.06.	17%	100.000	5%	
Nova TV d.d.	18.07.06.	50%	200.000	-	

NOVI LIST D.D. RIJEKA

Since the price for advertising is not determined by the production cost but by the current market prices of competition, the production cost will not be analyzed. Another reason is that the cost of advertising is negligible when compared to the selling prices because of the specific advertising place. The analysis of the existing advertising contracts covers a comparison of the advertising conditions agreed.

When the selling prices agreed with the agencies and the users of the services were compared, we found that the Company had defined only the minimum value for leasing an advertising space because of which the agency and the user respectively was entitled to a discount. Having examined the Company's records we found that the agencies and the users that acquired the right to discount realized substantially different advertising budgets. For instance, Imago advertising agency contracted for its client Reiffeisen Consulting a value of 300.000 HRK of advertising budget for the advertisements in the Company's newspapers whereas MD d.o.o. contracted for its client PZ Auto even 1.500.000 HRK for advertisements in the Company's newspapers.

Because of uniform advertising conditions for all agencies and users for the advertising budget higher than 100.000 HRK, we think that the Company should differentiate its discounts by granting lower discounts to the agencies with smaller budget and offer them packages that would connect certain budgets to a specific discount.

The only departure from the conditions set was noticed with the company Nova TV d.o.o. that undertook to use at least 200.000 HRK of the lease value of the advertising space thus getting the right to even 50% discount.

We think that because of the monopoly the Company has in the local market, the price policy for advertising space should be differentiated according to the clients with different advertising budgets taking into account the conditions agreed thus far.

- **PRINTING SERVICES CONTRACTS**

The contracts for printing services signed with the customers with whom the Company realized the largest sales volume in 2006 are listed below:

Buyer	Circulation	Format	Newsprint	No of pages	Publication	Product cost	Selling price
	No of copies	mm	gr/m2	pieces		HRK	HRK
Press Studio d.o.o. Zagreb	8000	290X420	45	48(4-color)	monthly	1,49	1,65
Matica Hrvatska	7000	289x420	52 improved	32	fortnight	1,48	2,12
Matica Hrvatska	-	289x420	52	40	fortnight	1,48	2,45
Matica Hrvatska	-	289x420	52	48	fortnight	1,48	2,78
Novi Šibenski d.o.o. Šibenik	5000	290X430	45	72	weekly	3,01	3,3
Novi Šibenski d.o.o. Šibenik	3500	290X430	45	72	weekly	3,01	3,99
Sedam d.o.o. Karlovac	3000	290X420	45	32	weekly	2,55	2,68
Sedam d.o.o. Karlovac	-	290X420	45	40	weekly	2,55	2,82
Sedam d.o.o. Karlovac	-	290X420	45	48	weekly	2,55	2,96
Karlovački tjednik d.o.o.	3500	290x430	45	32	weekly	2,15	2,63
Karlovački tjednik d.o.o.	-	290x430	45	40	weekly	2,15	2,77
Karlovački tjednik d.o.o.	-	290x430	45	48	weekly	2,15	2,91
Karlovački tjednik d.o.o.	3500	205x270	45	32	weekly	2,15	0,50
Varaždinske vijesti d.d. Varaždin	18000	290X420	45	56-96	weekly	1,63	1,62-2,30
Varaždinske vijesti d.d. Varaždin	1500-2000	205x270	52	52	monthly	1,63	4,776
Varaždinske vijesti d.d. Varaždin	-	205x270	52	68	monthly	1,63	6,155